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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/077,182	02/15/2002	Steven M. Bloom	09857-092001	9522

26161 7590 02/02/2010
FISH & RICHARDSON PC
P.O. BOX 1022
MINNEAPOLIS, MN 55440-1022

EXAMINER

CHANDLER, SARA M

ART UNIT	PAPER NUMBER
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3693

NOTIFICATION DATE	DELIVERY MODE
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02/02/2010

ELECTRONIC

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RECORD OF ORAL HEARING

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS

AND INTERFERENCES

Ex Parte STEVEN BLOOM, MICHAEL S. SPECTOR, and
JOHN L. JACOBS

Appeal No. 2009-011005
Application No. 10/077182
Technology Center 3600

Oral Hearing Held: January 7, 2010

Before HUBERT LORIN, ANTON W. FETTING, and
BIBHU R. MOHANTY, *Administrative Patent Judges.*

APPEARANCES:

ON BEHALF OF THE APPELLANT:

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1 The above-entitled matter came on for hearing on Thursday, January 7,
2 2009, commencing at 1:30pm., at the U.S. Patent and Trademark Office, 600
3 Dulany Street, Alexandria, Virginia, before Paula Lowery, Notary Public.

4 JUDGE LORIN: Good afternoon, again, Counsel.

5 MR. MALONEY: Good afternoon. Are we ready?

6 JUDGE LORIN: Yes, we are ready. You have 20 minutes, and you may
7 proceed.

8 MR. MALONEY: Thank you.

9 The second case goes off the previous case and our arguments with respect
10 to the prior art rejections are, essentially, the same in that the Gastineau
11 reference doesn't describe the two funds. It only describes the second fund.
12 The Strauss reference does not describe how the cash is handled in creation
13 of these funds.

14 The essential difference between this case and the other case is that in this
15 case the cash that can be exchanged for securities can go in either direction,
16 either between the agent and the participant, or between the participant and
17 the agent.

18 The securities that are given or determined in lieu of the cash can be any
19 securities, other than the first fund, or can be the second fund shares.
20 So in the specification we give an example that the other securities could be
21 components, or say it may make up the basket of securities in the first fund.
22 I would rather focus the remainder of my time, unless someone has
23 questions regarding the prior art, on some of these 112 second paragraph
24 rejections.

25 JUDGE LORIN: Yes, Counsel. This is Judge Lorin. I have a question.

1 MR. MALONEY: Okay.

2 JUDGE LORIN: I was reading the second reference called exchange
3 traded funds reference.

4 MR. MALONEY: Right.

5 JUDGE LORIN: I see on page 2 a sentence saying: "A small cash
6 payment generally must also be made." That sentence in the middle of page
7 2.

8 MR. MALONEY: Right.

9 JUDGE LORIN: Do you have any remarks about that disclosure?

10 MR. MALONEY: Yeah, we say the same thing in our specification, but
11 what we are doing in lieu of this cash payment is calculating a number of
12 shares of securities, which in the first case was the shares in the second fund.
13 In this case, the shares in the second fund or other securities to be substituted
14 for the cash, because it's actually easier for the agents, we believe, to use
15 securities rather than cash in figuring out -- in actually creating these shares
16 in the first fund.

17 So the cash component has always been a part of making sure that when you
18 create a particular creation unit basket worth of shares in a fund that there's
19 always going to be cash going back and forth between dividend payments or
20 the fact that net asset value calculations; but traditionally, again as
21 exemplified by Strauss, cash has, in fact, been transferred.

22 What we're saying is rather than transferring cash, you transfer securities.

23 So you transfer securities in the second fund, in other words the one that's in
24 the United States; or you transfer other securities which can be any security,

1 specifically we talk about in the specification on page 10, second line, shares
2 in that basket.

3 So that sentence there exactly points out the novelty of the limitation of a
4 claim over this particular reference because they're doing nothing any
5 different than Gastineau would be doing for that matter.

6 JUDGE LORIN: Are you taking a position that one of ordinary skill in
7 this art would not have known to substitute cash, which is normally provided
8 to the market participant, with stocks?

9 MR. MALONEY: Well, I'm taking the position that they've been doing
10 these electronic exchanged-traded funds for a number of years now and the
11 Examiner has not come up with a reference that shows substituting securities
12 for cash.

13 So, you know, I think the genesis of the idea of doing this comes from our
14 specification, not from general knowledge of one of skill in the art. It
15 apparently had not occurred to anyone with ordinary skill in the art to do
16 this.

17 JUDGE LORIN: Thank you, Counsel.

18 MR. MALONEY: With respect to the 112 second paragraph rejections, I
19 want to follow up on something which I probably should have also discussed
20 with respect to the earlier case; but since these cases are so similar, I feel as
21 though it would probably be best to discuss the 112 second paragraph
22 rejection more now.

23 In particular, the Examiner argues that there are steps that fail to occur in
24 Claim 1, and that claim admits what she terms as essential features or
25 essential steps.

1 Now, it's my understanding of essential or critical features of an invention as
2 being those features of an invention that are originally disclosed in the
3 specification as being essential or critical to the invention.

4 We do not have any features in our specification that have been labeled as
5 essential or critical. That this must occur, or this must occur, or this feature
6 is essential, or my invention consists of these three features. Those type of
7 statements are not in the specification.

8 It's also my understanding that these types of rejections -- this type of
9 argument -- generally arises under the auspices of a written description
10 requirement or an enablement requirement type of rejection, not rejection
11 under 112 second paragraph.

12 I was wondering if the Board had entertained any notions that the
13 Examiner's reasoning with respect to this is, in fact, legally deficient?

14 JUDGE LORIN: We have no opinion on that matter at the moment.

15 MR. MALONEY: Okay. In any event, nothing in the specification has
16 identified any features being essential, as that term has been used to require
17 certain limitations exist in the claims.

18 We have set forth all the features we believe are needed to distinguish the
19 claims over cited prior art, and these particular features, for example, the
20 steps of Claim 1, do occur. They are not steps that are optional steps. These
21 are steps that are actually executed by the computer.

22 If, for example, the delivery of the creation unit basket of shares does not
23 occur, there is nothing to record.

24 The next thing with respect to net asset value calculation, many of the claims
25 referred to the net asset value; but generally the net asset value calculation is

1 not performed by -- may not necessarily be performed by the people who are
2 actually producing these products. So if that's the situation, clearly those
3 things do not belong in the claims.

4 What does belong in the claim is that that is a day inputage into a calculation
5 that's being performed by the computer.

6 Are there any questions at this point?

7 JUDGE LORIN: No, there are no questions on the two rejections, the
8 112 second and the 103; but I have one remaining question, and it also
9 applies to the other case.

10 I notice there are pending double patenting rejections, and the Briefs make
11 no mention of them. Is there any reason why?

12 MR. MALONEY: Generally, you know, I'm very open to filing terminal
13 disclaimers when I know where I'm going to get patentable subject matter;
14 but at this point, I have no idea what I'm getting for patentable subject
15 matter.

16 So I believe the Examiner and I both kind of agreed to hold that in abeyance
17 until we get to a point where one or both of these cases are allowable.

18 I mean, the way the cases stand now, we'd certainly consider filing a
19 terminal disclaimer since we're not getting a substantial term, that's not
20 really the issue. I don't think that would be a main issue because, clearly,
21 they're directed to similar subject matter although there are some differences
22 between the two claims.

23 In fact, the second case is a little broader in some sense than the first case;
24 but be that as it may, I don't think my client would be adverse to filing a
25 terminal disclaimer. Generally, I like to see what I'm getting for allowable

1 subject matter before I start making comments on those types of issues,
2 unless it's clearly, clearly an erroneous type of rejection, which here I can't
3 say it's a clearly erroneous type of rejection.

4 JUDGE LORIN: Thank you, Counsel.
5 There are no more questions. We'll take your comments under advisement.

6 MR. MALONEY: Thank you.

7 Whereupon, the proceedings at 1:40 p.m. were concluded.